



Indiana Deferred Compensation Committee

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**MINUTES
PUBLIC MEETING
TUESDAY, NOVEMBER 18, 2004
10:00 AM
INDIANA GOVERNMENT CENTER SOUTH
TRAINING CONFERENCE ROOM 1**

I. Call to Order

The meeting was called to order by Jeff Heinzmann.

II Roll Call

All Members of the Committee were noted as present.

III. Reading of the Minutes

Betsy Burdick moved to adopt and approve minutes for the August 25, 2004 public meeting, the September 7, 2004 executive session, and the September 7, 2004 public meeting. Marilyn Schultz seconded the motion and minutes were approved unanimously.

IV. Secretary's Report

Jeff Heinzmann distributed a list of all current actively participating local subdivisions.

V. Administrator's Report

Jeff Heinzmann reported to committee for State Auditor Connie Nass, who was unable to attend due to non-elective eye surgery. He reported that she has been recovering well. Her recovery has, however, kept her out of the office for much of October and November and has therefore delayed a decision by her concerning the RFP.

VI. Report re Indiana Stable Value Fund

John Finnegan of Delaware Investments Advisors presented the quarterly Indiana Stable Value Fund report to the Committee.

VII. Report of Mellon Consultants

Don Eibsen presented the Committee with the Mellon quarterly report detailing the performance of the funds. Among other things, he focused on the fact that Bill Bower will now be solely managing the Fidelity Diversified International Fund. He also expressed concern with the Brown Capital Management Small Company fund in number of holdings and annual total returns, as well as sector allocation.

After Don Eibsen finished with his report, Jeff Heinzmann brought attention to the fact that he had skipped over the peer group rankings for each fund in his report even though they indicated that the 1 year rankings for the Wells Fargo and Brown funds should put each on a watch list under the Investment Policy Statement (XIV. B. 1.). He also asked why in the second quarter report Mellon had provided in the prior quarter one year reporting was not shown (pg. 23). Don Eibsen stated that Mellon prefers to focus on the three and five year numbers, but recently have begun to include the one year. Jeff then reviewed the plan guidelines which outline the need to “watch” performances over one year time frames for poor performance, and expressed concern that the rankings had been left out of reports to the Committee even after the adoption of the Investment Policy Statement. Jeff asked Mellon to provide a report on what the 1 year rankings were as of the end of the second quarter.

The Committee members discussed the poor performances of the Wells Fargo and Brown funds and agreed to put both on the watch list. Discussion was also held on whether Mellon should prepare a search report or sending out an RFP. Judy Rhodes inquired to the “down side” and cost of such actions. Don Eibsen reported that there were no such concerns with either as well as emphasizing the greatness of the committee’s fiduciary responsibility in this matter. It was unanimously agreed that Mellon would prepare a search report concerning these two products.

VIII. Report of the Third Party Administrator

Lesa Williamson reviewed dates for new roll outs and the effects and benefits of those to participants. She distributed drafts of a survey and calendar that will be included in the next quarter news letter specifically in the “Auditor’s Corner”. The survey will gather information from participants concerning service, website, etc. The calendar will highlight payroll rotations and holidays for state employees.

IX. Report of Counsel

Mary Beth Braitman thanked the committee Members for their prompt attention and signing of new amendments to the plan documents. She also stated that she would return finished paperwork with information regarding placement in member binders.

X. Old Business

None.

XI. New Business

Discussion was scheduled of Fidelity’s planned assessment of redemption fees on the Low-Priced Stock and Diversified International funds, among others, and the TPA’s ability to track those fees. Jeff Heinzmann reported that ING, through its Vice President and General Manager, Frank Snodgrass, had committed on November 17, 2004 that it would be able to manually track the fees through the 2005 calendar year and on its system thereafter. Lesa Williamson confirmed this to the Committee. The Committee then discussed whether it wanted to take any action concerning the Fidelity funds given the decision to assess redemption fees.

The Committee was addressed by Brent Hartman, representing Fidelity, concerning redemption fees that are to begin being assessed the first quarter of 2005. Brent provided explanation of Fidelity's decision to implement redemption fees at this time. Discussion concerning fees included the purpose of eliminating frequent trading and market timing, educating participants in managing their investments so as to avoid such fees and what other investment agencies are doing in this arena, **and the feasibility of a benefit sensitive distribution fee structure**. The Committee took no action with respect to the Fidelity funds.

The Committee scheduled the first quarter meeting for 10:00 AM, February 18, 2004. The first quarter review meeting is scheduled for May 19, 2004.

XII. Adjournment

Jeff Heinzmann adjourned the meeting.